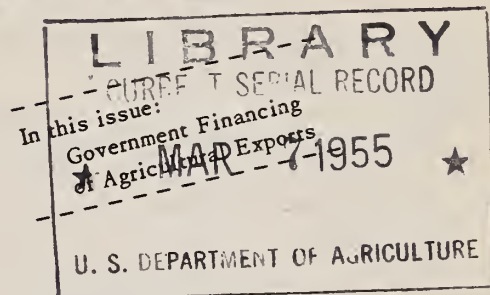


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DEMAND and PRICE SITUATION

DPS-2



Approved by the Outlook and Situation Board, February 18, 1955

SUMMARY

The pickup in economic activity which began last fall has continued into 1955 but at a somewhat slower pace. Increased consumer buying accompanying the rise in consumer income and an upsurge in building of new homes have contributed most to the recent rise in activity. Export markets in the last half of 1954 took about a tenth more farm products than a year earlier. Prices of farm products have firmed up some since the close of 1954 but, with large supplies, they continue to average below a year earlier.

Retail sales were down seasonally in January but were about a tenth above a year earlier. Sales increases were largest for automobile dealers but gasoline stations, department stores, and retailers of building materials and furniture and appliances also showed increases from a year earlier. Department store sales in early February declined from the advanced December-January level, mainly because of severe weather.

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ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1953	1954				1955
		Year	Jan.	Oct.	Nov.	Dec.	Jan.
Industrial production <u>1/</u>							
Total.....	1947-49=100	134	125	126	128	130	131
All manufactures.....	do.	136	127	128	130	132	133
Durable goods.....	do.	153	140	139	142	145	146
Nondurable goods.....	do.	118	113	117	118	118	119
Minerals.....	do.	116	113	108	113	117	121
Total outlay for new construc- tion <u>2/</u>	Million dollars	35,256	2,965	3,105	3,192	3,262	3,352
Residential.....	do.	11,930	978	1,210	1,228	1,262	1,299
Total civilian employment <u>3/</u>	Million	61.9	59.8	62.1	61.7	60.7	60.2
Nonagricultural.....	do.	55.4	54.5	54.9	55.6	55.4	54.9
Unemployment.....	do.	1.5	3.1	2.7	2.9	2.8	3.3
Income:							
Nonagricultural payments <u>2/4/#</u>	Bil. dol.	270.0	267.9	272.3	274.6	276.1	
Production-worker payrolls <u>5/</u>	1947-49=100	151.6	140.8	139.6	142.8	143.8	
Weekly earnings of production- workers in manufacturing <u>5/</u>	dollars	71.69	70.92	72.22	73.57	74.30	73.97
Durable.....	do.	77.23	76.59	77.97	79.15	80.15	86.16
Nondurable.....	do.	63.60	63.53	65.07	65.97	66.30	65.86
Prices:							
Wholesale prices, all com- modities <u>5/</u>	1947-49=100	110	111	110	110	110	110
Commodities other than farm and food.....	do.	114	115	114	115	115	115
Farm.....	do.	97	98	93	93	90	93
Food, processed.....	do.	105	106	104	104	104	104
Prices received by farmers <u>6/</u> ..	1910-14=100	258	259	242	244	239	244
Crops.....	do.	242	240	243	244	241	248
Livestock and products.....	do.	273	277	242	243	237	240
Prices paid, interest, taxes and wage rates <u>6/</u>	1910-14=100	279	282	279	279	279	283
Items used in living.....	do.	270	271	273	272	272	273
Items used in production.....	do.	253	263	262	262	261	264
Parity ratio.....		92	92	87	87	86	86
Consumer price index <u>5/</u>	1947-49=100	114	115	114	115	114	
Food.....	do.	113	113	112	111	110	
Government purchases of goods and services <u>2/ 7/</u>	Billion dollars	85.2				74.1	
Federal (Less Government sales)	do.	60.1				45.9	
State and local.....	do.	25.1				28.2	

Annual data for the years 1929, 1932 and 1935-53 appear on page 31 of the April 1954 issue of the Demand and Price Situation.

1/ Federal Reserve Board.

2/ U. S. Department of Commerce.

3/ Bureau of the Census.

4/ Monthly totals seasonally adjusted at annual rates.

5/ U. S. Department of Labor, Bureau of Labor Statistics.

6/ U. S. Department of Agriculture, Agricultural Marketing Service.

7/ Quarterly totals seasonally adjusted at annual rates.

Revised series.

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New home building and related construction of churches, schools, and commercial facilities pushed construction activity to a new high for January, 13 percent above a year earlier. With recent gains in housing starts and in contract awards for residential housing, construction outlays are likely to be well maintained in the next few months.

The decline in outlays for defense which started around mid-1953 is tapering off and Federal budget expenditure estimates suggest little change over the coming year. Business investment spending also is at reduced levels and investment intentions indicate little change from current rates. The rise in expenditures by State and local Governments is expected to continue.

Mainly because of large marketings, prices of livestock products in the last quarter of 1954 averaged $9\frac{1}{2}$ percent below a year earlier. Lower prices for hogs, eggs, chickens, and butterfat accounted for most of the decline. Prospects for the coming year indicate that prices of livestock products will be fairly well maintained. Crop prices in October-December averaged about 4 percent above the last quarter of 1953. Smaller marketings and large CCC holdings contributed to higher prices for wheat, cotton and corn. Prices paid by farmers including interest, taxes and wage rates averaged slightly higher in the final quarter of 1954 than a year earlier. Consequently, the parity ratio was down 4 points to an average of 87 in the last quarter. Both the index of prices received and the parity index increased in January and the parity ratio held at the December level of 86.

Commodity Highlights

The number of cattle on farms rose slightly during 1954 to a record number of 95.4 million head on January 1, 1955. No substantial change in prices or marketings of cattle and calves seems probable in 1955.

Hog prices this winter and spring will remain below a year earlier. Marketings will show more increase over 1954 in the first half of this year than later.

The number of sheep and lambs on feed was 4 percent smaller than a year ago, indicating slightly smaller market supplies of fed lambs this winter.

Consumption of fluid milk has begun to show a significant increase, with larger takings under the special school milk program, slightly lower retail prices in some cities and some rise in consumer incomes. Supplies of milk probably will continue to exceed demand at support levels during most of 1955 but by a much smaller margin than in 1954.

Egg prices rose in late January and early February despite a seasonal increase in production. Broiler prices since the beginning of 1955 have been about 16 percent above the average of the last 4 months of 1954 reflecting reduced chick replacement last fall. However, hatchery settings of eggs since January 22 have been above a year earlier.

Farmers reported intentions to produce 11 percent fewer small-breed turkeys than in 1954 and about the same number of heavy breed turkeys.

Soybean prices have been relatively stable this crop year at a level well above support but larger marketings expected later in the year will have a dampening effect on prices.

Feed prices were generally stable during January and early February at levels slightly below a year earlier. January stocks of feed grains were the largest on record but utilization during the remainder of the 1954-55 season is expected to be somewhat heavier than in that period of 1953-54.

Cash wheat prices generally are near the highest level of the season to date; a large part of available stocks are held (owned or under loan) by CCC.

The 1954 rice crop was 12 percent above 1953 and carryover into the 1954-55 marketing year is record large. But exports are at a rate about half that of a year earlier.

Indications in early February point to smaller supplies of vegetables for fresh market sale this winter than last. Grower prices probably will average at least equal to those of a year earlier. Prospects for the next few months are that potato prices will continue much above the low prices of a year earlier.

In early February CCC held 8.7 million bales of cotton. It is expected that some of this stock will have to be drawn on before the end of the marketing season.

Wool production in 1955 will probably be about the same as in 1954. Unfilled orders for fabric are larger than a year ago and some increase is likely in apparel wool consumption this year over last.

The 1954 Burley tobacco crop was a record and the season average price was down 5 percent from 1953.

GENERAL BUSINESS CONDITIONS

Business activity continued to improve in the early weeks of 1955 but at a somewhat slower pace than in November when auto and steel output were expanding rapidly. This improvement reflects primarily a strong consumer market for automobiles, new homes, food, clothing and many other consumer goods. Consumer incomes are the highest on record and use of credit has increased moderately. Consumer purchases of new homes, the other major sector of the economy showing strength, have contributed most to the rise in construction activity. Wholesale prices firmed in recent weeks reflecting small gains for farm products and raw industrial materials. Increased industrial activity abroad has contributed to an expanding market for U. S. products and to a stronger world demand for raw materials.

Strong Consumer Market Underpinning Economic Activity

Consumer expenditures for goods and services rose to nearly 238 billion dollars in the final quarter of 1954, about 8 billion above a year earlier. The rise over the past year has offset much of the reduction in National security spending and business investment. Consumer spending currently represents about two-thirds of total spending for goods and services compared with 63.7 percent in the last quarter of 1953. Rising consumer purchases of new homes have strengthened the demand for building materials and household furnishings.

Record Income Bolsters Demand

Consumer income after taxes, generally the most important factor influencing consumer buying, rose to an annual rate of nearly 256 billion dollars in the last quarter of 1954, about 3 billion above the third quarter and 5 billion above a year earlier. Personal income payments for December, the latest month reported, were 2 billion dollars above the fourth quarter rate, suggesting a sizable continued rise in consumer disposable income. However, most of the gain

from November to December was due to unusually large year-end dividend payments. Wage and salary disbursements in December were at about the average for the quarter. Income of nonfarm proprietors rose moderately in December with the greater than seasonal increase in retail trade.

An increase of over 900 million dollars in consumer credit outstanding during December brought the total outstanding to 30.1 billion dollars at the close of 1954. The gain over the year totaled nearly 600 million dollars. About half of the increase in December was due to a seasonal rise in charge accounts. The gain in installment credit outstanding, in part seasonal, reflected an increase of 100 million dollars for automobiles, 270 million for other consumer goods and nearly a 100 million for personal loans.

Consumer Buying Continues High

Consumer buying was down seasonally in January but continued near the advanced December rate after seasonal adjustment. Department store sales declined slightly less than usual from December and were 9 percent above January 1954. Preliminary estimates indicate that total retail sales for January, down slightly more than seasonally from December, were about a tenth above a year earlier. Most major groups of retailers reported sales increases from January 1954 with largest gains for automobile dealers, gasoline stations, department stores and retailers of lumber and building materials.

Final sales estimates for the last quarter of 1954 totaled more than 2 percent above the third quarter and 4 percent above a year earlier. Retail sales of all major groups of stores increased in the latter part of 1954 with sizable gains for automobiles, food, clothing, household appliances, and building materials. Since consumer buying rose more than income over the year, personal savings declined to 7.1 percent of disposable income in the last quarter of 1954 from 8.6 percent a year earlier.

Output Responds to Increased Demand

Consumers purchased more than a million new 1955 model automobiles in December and January, substantially more than a year earlier. In response to increased buying, manufacturers turned out over 640 thousand units in December and around 660 thousand in January. Scheduled output for the first quarter calls for around 2 million units. Stocks of new cars, though rising moderately in January and probably in February, continue well below the large stocks of a year earlier. Used car sales were at an advanced rate during 1954 and dealers' stocks were substantially reduced. However, with the increase in new car sales, stocks of used cars have risen.

Table 1.- Retail store sales, specified groups, fourth quarters, 1953 and 1954 adjusted for seasonal variation

Group	1953 Oct.-Dec.	1954 Oct.-Dec.	Percentage increase
	<u>Million dollars</u>	<u>Million dollars</u>	<u>Percent</u>
Durable-goods stores	4,887	4,986	2
Automotive group	2,715	2,741	1
Furniture and appliance group	746	754	1
Lumber, building, hardware	856	896	5
Nondurable-goods stores	9,139	9,532	4
Apparel group	808	849	5
Eating and drinking places	1,063	1,075	1
Foods group	3,402	3,558	5
Gasoline service stations	913	980	7
General merchandise group	1,576	1,601	2
Total retail sales	14,025	14,518	4

Rising incomes and near record construction of new homes have resulted in an expanding market for major household goods. Increased consumer buying of these items also reflects price concessions, expanded replacement needs and increased demand for new products such as television sets, air conditioners, clothes dryers, ironers and home freezers. Increased demand in 1954 was accompanied by a substantial rise in output of furniture and floor coverings, appliances and heaters, and radio and television sets. Production of these major household goods in the final quarter totaled about a fifth above a year earlier.

The strong market for consumer goods in 1954 was accompanied by reduced production as stocks were worked down. The value of total business inventories declined during 1954 by 3.7 billion dollars from 81.1 billion at the close of 1953. More than 3 billion of this decline was in durable goods, particularly at the manufacturing level.

As sales picked up and the inventory adjustment slowed in the last quarter, the stage was set for a rapid rise in manufacturers' orders, sales, and production of durable goods for the consumer market and for use in residential construction. Manufacturers' new orders for durable goods, after seasonal adjustment, rose more than a fourth from July to the end of 1954 and deliveries increased about a tenth. Increased output of automobiles and household durable goods, major users of steel and many other products, also stimulated production in other lines. For example, steel mill activity rose from 63 percent of capacity in July to 79 percent in December and in mid-February steel mills were operating at 88 percent of capacity. Production of nonferrous metals also rose rapidly in the last half of 1954 and by January total output of primary metals was nearly a fifth above mid-1954.

Nondurable Sales

Reflect Rise In Income

Retail sales of nondurable goods increased gradually during 1954 with the rise in income. Stocks in general changed little and production rose slowly over the year. Sales by apparel stores accelerated later in the year and in the final quarter totaled 5 percent above a year earlier. Manufacturers' stocks of textiles and apparel were reduced during the year and production rose and by January was about 6 percent above a year earlier. Food store sales also picked up in the final quarter and totaled for 1954 about 2 percent larger than in 1953. According to latest estimates, per capita and total food consumption also increased. Retail food prices were fairly steady, except for seasonal changes, near the 1953 level.

New Homebuilding:

A Major Support

The building of new homes and related commercial, educational and religious facilities is largely responsible for the record level of construction activity. Total expenditures for new construction in January, though down seasonally from December, were 13 percent above a year earlier. Outlays for new dwelling units were up a third and gains nearly as large were registered for religious, educational and commercial building.

Strong Demand and

Easier Financing Terms

Higher consumer income, rising birth rates and continued population shifts accompanied by generally easier mortgage terms under the Housing Act of 1954 were largely responsible for an upsurge in homebuilding in the last half of the year. Private housing starts set a fourth quarter record in 1954. An increasing proportion of housing starts was underwritten by FHA-insured or VA-guaranteed mortgages. By late 1954 government assistance was provided for around 60 percent of private units started.

Housing starts rose from around 1.1 million units in mid-1954 to an annual rate of nearly 1.5 million units in December and January. Early this year new home starts were up more than a third and contract awards on residential housing totaled more than 50 percent larger than a year earlier. Thus, expenditures for residential construction are likely to be well maintained in the next few months.

Increased Demand For Building Material

Sales by lumber, building and hardware stores rose with the increase in building activity and in January were 7 percent larger than a year earlier. Production of building materials, restricted by a mid-year labor dispute in the lumber industry, rose moderately over the year. But as use of materials in new construction increased, stocks were drawn down at both the retail and manufacturing levels. Construction costs in general were fairly stable in 1954 though there were some increases in wages and prices of building materials toward the end of the year.

Defense Spending And Investment At Reduced Levels

Much of the decline in economic activity from 1953 to 1954 was due directly to cutbacks in spending for defense and business investment and the accompanying influence on inventories and industrial production. These declines largely offset continued strength in consumer buying and new home construction in 1954 until the final months of the year. Outlays for national security programs, which make up nearly 90 percent of Federal expenditures, were estimated at an annual rate of 40.5 billion dollars in the last quarter of 1954, 10 billion below a year earlier. Business outlays for producers' durable equipment declined nearly 2½ billion dollars over the same period. Manufacturers' new orders for durable goods in mid-1954 were down more than a fourth from the peak in the spring of 1953. Steel mill activity fell from a March 1953 high of 102 percent to 63 percent of capacity in July and August of 1954, and output of industrial machinery, including machine tools, was reduced sharply.

Some Firming Indicated

The decline in spending for national security has apparently begun to taper off and Federal budget expenditure estimates suggest little change over the coming year. Business outlays for new plant and equipment declined gradually in 1954 and planned outlays for the first quarter this year are only about 2 percent below the last quarter of 1954. Although the productive capacity of industry in general is large, recent strengthening in the consumer sectors of the economy and well maintained corporate incomes may result in increased investment programs in some industries.

Production of nonelectrical machinery, which includes industrial and farm machinery, has held fairly steady in recent months. Manufacturers' orders for durable goods at the close of the year, though below peak levels in 1953, were about a fourth above mid-1954. Military procurement has increased moderately from the reduced levels in mid-1954. This firming also contributed to the rise in output of steel.

Output and Employment
Maintained

Output of the Nation's mines and factories rose 1 point from December to 131 percent (1947-49=100) in January and continued to rise gradually in early February. Further increases were reported for automobiles, steel, chemicals and petroleum products. The strong market for consumer goods and new homes, increased manufacturers' orders for durable goods, and scheduled auto output for the first quarter all point to a continued high level of industrial output in coming months.

Employment Declines
Less than Usual

Employment in early January totaled nearly 60.2 million workers, about a half million below December. This post holiday decline was considerably less than usual and the corresponding rise in unemployment to 3.3 million in January was less than usual for the period. The civilian labor force was unchanged at 63½ million from December to January.

Total nonagricultural employment declined by about half a million to 54.9 million in January. This compares with 54.5 million in January 1954. Factory employment was down about as usual from December and further gains in employment were reported in January for primary metal and transportation equipment, primarily automobile, industries. Employment in manufacturing in January was down about a half million from a year earlier while nonmanufacturing employment gained a little. Current economic trends suggest that employment will be well maintained in coming months.

Commodity Prices
Firm Slightly

Average wholesale prices of all commodities in the second week of February were up slightly from the beginning of January and about the same as a year earlier. Higher prices for farm products have accounted for most of the advance so far this year. Prices for processed food and meat averaged virtually unchanged and prices of commodities other than farm and food products rose slightly.

The 22 basic commodities index on February 8 was up nearly 2 percent from early January. Raw industrials and metals led the advance rising nearly 3 percent. Largest gains over the month were in copper scrap, up nearly 9 percent; rubber, up more than 5 percent; and tin, up nearly 4 percent. Steel scrap prices showed a sharp increase during January but by February 8 were back to early January levels. The textile and fibers group also rose more than 2 percent during January.

The recent advance in prices of raw materials may be partly due to unsettled conditions in the Far East. However, rising prices for metals in recent months reflect a strong demand and rising levels of industrial production both in the U. S. and abroad.

The urban consumer price index declined 0.3 percent from November to 114.3 percent of the 1947-49 average in December. Prices in most groups averaged lower; rent, utilities and fuel rose slightly over the month. Compared with a year earlier, consumer prices in December averaged about 1/2 percent lower due largely to lower prices for food and apparel. Rents and prices for gas and electricity continued to rise over the year.

Average prices paid in rural areas for family living items increased slightly from December to an all-time high in January. Most of the gain over the month reflected higher prices for new automobiles, food, household supplies and building materials. Clothing prices declined slightly from December to January.

FARM PRICES AND INCOMES

Prices of farm products continued to decline gradually during 1954 and in the final quarter averaged about 3 1/2 percent below a year earlier. Demand is somewhat stronger with consumer incomes currently about 2 percent above a year earlier and exports are running nearly a tenth higher. But large supplies continue to depress farm prices.

Export Market Strong

Exports of farm products continued to increase during the closing months of 1954. They averaged in the July-December period 9 percent above a year earlier and preliminary data for January suggest a further rise. Continued large exports of cotton, and fats and oils were supplemented in November and December by renewed activity in wheat and flour. Despite a sharp drop in December tobacco shipments, July-December exports are about equal to a year earlier. Shipments of corn and rice are much smaller than a year earlier. Increased availability of low-grade wheat for feed has impeded corn exports. Exports of rice continue lower than last year when the government financed shipments to Korea. Shipments to Japan and Cuba also have been smaller.

The increase in value of agricultural exports during July-December compares with a drop of 4 percent in nonagricultural exports largely because of a marked decline in military shipments.

Table 2.- U. S. agricultural exports, July-December 1954
and percentage change from July-December, 1953

Item	Unit	1954		Percentage change from 1953	
		Quantity	Value	Quantity	Value
			Million dollars	Percent	Percent
Wheat and flour	Mil. bu.	122	218	10	-8 ^{1/}
Cotton	1,000 bales	1,719	351	22	43
Tobacco	Mil. lb.	297	205	-1	2
Corn	Mil. bu.	33	60	-50	-47
Rice, milled	Mil. lb.	411	33	-53	-61
Lard and tallow	Mil. lb.	780	83	4	38
Soybeans	Mil. bu.	29	85	6	7
Other		---	546	---	25
Total		---	1,581	---	-9

^{1/} This drop reflects generally lower prices and the high invoice value of last year's aid shipments to Pakistan.

Crop Prices Average Higher

Crop prices in the last quarter of 1954 averaged nearly 4 percent above a year earlier with sizable gains indicated for several major crops. There was some strengthening in demand for crops, particularly foreign demand, and the volume of crop marketings in the last quarter of 1954 was about 6 percent smaller than a year earlier. In addition, there was a considerable movement of 1954 crops under price support programs which limited supplies in commercial channels.

Prices received by growers for wheat and corn in the final months of 1954 averaged higher than a year earlier. Although 1954 output of these crops was below 1953, carryover stocks increased and record supplies of wheat and feed grains were available for the 1954-55 marketing year. Corn supplies are slightly smaller than in 1953-54, but supplies of other grains are substantially larger. Since a large part of these supplies is owned by or under loan to CCC, available commercial stocks are small relative to anticipated disappearance. Stocks of wheat on January 1 totaled 1,460 million bushels and about 1,120 million were owned by or under loan to CCC.

Most of the corn in off-farm positions is held by CCC. Prices of both wheat and corn are below support levels and limited commercial supplies are expected to continue to bolster prices of these grains. Lower prices for rice reflect not only a big gain in U. S. supplies but a sharply reduced export market.

Grower prices of cotton in October-December 1954 averaged nearly 6 percent above a year earlier. Although the cotton crop was smaller, bigger stocks boosted total supplies available for the 1954-55 marketing year to 23.3 million bales, 1.1 million above the previous year. At the beginning of this year CCC held 8.5 million bales or about half of total stocks. Supplies outside CCC are not considered large enough to meet disappearance the rest of the year. Foreign takings of cotton are running around a fifth larger than a year earlier.

Table 3.- Prices received by farmers for selected crops, fourth quarter 1953, fourth quarter 1954, percentage change and 1954 crop support price

Group or Commodity	Unit	1953 Oct.-Dec.	1954 Oct.-Dec.	Percent- age change	Support price 1954 crop
				Percent	
All crops	1910-14=100	234	243	3.8	
Wheat	Dol. per bu.	1.98	2.11	6.6	2.24
Rice	Dol. per cwt.	5.32	4.53	-14.8	4.92
Corn	Dol. per bu.	1.36	1.40	2.9	1.62
Cotton, upland	Ct. per lb.	31.67	33.50	5.8	31.58
Cottonseed	Dol. per ton	52.90	59.73	12.9	54.00
Soybeans	Dol. per bu.	2.61	2.56	-1.9	2.22
Oranges ^{1/}	Dol. per box	1.19	1.47	23.5	
Apples	Dol. per bu.	2.99	2.86	-4.3	
Potatoes	do.	.77	1.04	35.1	

^{1/} Equivalent "on tree" returns, all methods of sale.

Cottonseed prices also have increased over a year ago and are currently above support levels. This reflects reduced supplies and a strong demand for cottonseed products. Soybean prices in the final quarter of 1954, though above support, averaged a little below a year earlier. Despite a record crop, prices have been well maintained by strong domestic and export demand and a slow movement of the crop to market.

Potato prices in recent months averaged more than a third above the depressed levels a year earlier. The season average price to growers for the reduced 1954 crop is about 50 percent higher than for the large 1953 crop. With smaller year-end stocks, price gains continued into 1955.

Livestock Products:

Larger Supplies, Lower Prices

The price decline for livestock products over the past year was largely due to increased supplies. Livestock product prices in the last quarter of 1954 averaged almost 9 1/2 percent below a year earlier. Hog prices were off 16 percent as marketings increased around 8 percent. Beef cattle prices averaged 7 percent higher with the volume of marketings slightly lower. Prices of chickens declined about a fourth and eggs a third from the last quarter of 1953 as sales of poultry products increased a tenth. Butterfat prices in October-December were down 14 percent and wholesale milk 6 percent from a year earlier. These declines were due primarily to a reduction in the support level for butterfat and milk for manufacture with continued high production.

Table 4.- Prices received by farmers for selected livestock products, fourth quarter 1953, fourth quarter 1954 and percentage change

Group or commodity	Unit	1953 Oct.-Dec.	1954 Oct.-Dec.	Percent- age change
				Percent
All livestock and products	1910-14 = 100	266	241	- 9.4
Hogs	Dol. per cwt.	21.53	18.00	- 16.4
Beef cattle	do.	14.63	15.67	7.1
Butterfat	Ct. per lb.	66.9	57.4	- 14.2
Milk, wholesale	Dol. per cwt.	4.62	4.35	- 5.8
All chickens	Ct. per lb.	23.1	17.6	- 23.8
Eggs	Ct. per doz.	50.5	33.0	- 34.7

Prices of livestock products probably will be more stable in the coming year than in 1954. Demand for beef is expected to continue strong and no substantial change in marketings seems probable in 1955. Hog prices are well below a year ago and are not likely to decline next summer as they did last summer. Substantially reduced prices for poultry products have resulted in

cutbacks in broiler output and an accelerated culling of egg-laying flocks. Support prices for dairy products will be continued at current levels through the 1955-56 marketing year. Because of increased utilization, the milk surplus is likely to be smaller than in either 1953 or 1954.

Prices Paid Higher

Prices paid by farmers including interest, taxes and wage rates averaged 279 percent of the 1910-14 average in the last quarter, nearly 1 percent above October-December 1953. Prices averaged slightly higher for items used in family living and in farm production. Interest and taxes payable per acre were also higher but farm wage rates were down somewhat from a year earlier. With grower prices down about 3 1/2 percent, the parity ratio declined 4 percent to an average of 87 in the last quarter of 1954.

Table 5.- Indexes of prices received and prices paid, including interest, taxes and wage rates, and parity ratio, fourth quarters 1953 and 1954.

(1910-14=100)				
Group	:	1953	:	1954
	:	Oct.-Dec.	:	Oct.-Dec.
Prices received	:	251	:	242
Prices paid, interest, taxes, and wage rates	:	277	:	279
Parity ratio	:	91	:	87

Farm Income Smaller in January

Prices received by farmers firmed up in January but were nearly 6 percent below a year earlier. With the volume of marketings also smaller, farmers' cash receipts from marketings totaled about 2.4 billion dollars, nearly a tenth below a year earlier. Receipts from livestock and products, at 1.2 billion dollars, were down about 11 percent and crop receipts also totaling 1.2 billion dollars, were around 8 percent below January 1954.

GOVERNMENT FINANCING OF AGRICULTURAL
EXPORTS SINCE KOREA 1/

Exports financed by government grants and loans, and sales for foreign currencies accounted for nearly a fourth of total agricultural exports in fiscal 1953-54. Grants including regular foreign aid programs, special aid programs such as the Pakistan wheat grant, the Army Civilian Supply Programs, and USDA donations for foreign relief represented over 15 percent of agricultural exports. If disbursements under special loan programs, Export-Import Bank loans, and sales for foreign currencies under the Mutual Security Act are also included, government financing made up about 23 percent of total agricultural exports in 1953-54. This compares with about a fifth in 1952-53 and 1951-52 and more than a third in 1950-51. (See table 6.) It is estimated that approximately a fourth of total U. S. exports, agricultural and nonagricultural, were financed by government grants and loans in 1953-54.

Table 6.- Value of government financed agricultural exports 1/
fiscal years 1950-51 through 1953-54

Programs	1950-51	1951-52	1952-53	1953-54
	Mil.dol.	Mil.dol.	Mil.dol.	Mil.dol.
Grants				
Regular MSA/FOA programs	965.7	509.9	376.2	250.5
Special programs				
Pakistan Wheat Grant	---	---	1.1	65.8
Other <u>2/</u>	---	---	---	41.4
Army Civilian Supply Program	175.0	68.3	58.4	24.1
USDA donations	46.7	2.1	.4	66.7
Total	1,187.4	580.3	436.1	448.5
Percent of total exports <u>3/</u>	34.8	14.3	15.5	15.3
Loans				
Pakistan and Afghanistan loans	---	---	16.4	---
Spanish loan	---	12.2	---	---
India Grain loan	---	172.0	17.8	---
Export-Import Bank	14.3	89.2	62.0	113.0
Total	14.3	273.4	96.2	113.0
Percent of total exports <u>3/</u>	.4	6.7	3.4	3.8
Sales for foreign currency <u>4/</u>	---	---	---	115.7
Percent of total exports <u>3/</u>	---	---	---	3.9
Total financing	1,201.7	853.7	532.3	677.2
Percent of total exports <u>3/</u>	35	21	19	23

1/ Paid shipments under regular and other programs administered by the FOA and predecessor agencies, paid shipments under the Army Civilian Supply Program, disbursements under Export-Import Bank loans, declared export values of USDA donations for foreign relief under Sec. 416. 2/ East German Relief, \$12 million; Famine Relief Act, \$8.9 million, Operation Reindeer (Christmas parcels) \$11.5 million; Korean Emergency Food Relief (packages) \$9 million.

3/ Due to differences in methods of valuation, percentages do not apply to comparisons on a quantity basis. 4/ Expenditures through June 30, 1954 under Section 550 of the Mutual Security Act of 1951 as amended.

1/ See the discussion of new Government programs designed to stimulate exports in the January 1955 issue of the Demand and Price Situation.

Table 7.- Value of government financed agricultural exports, by major programs, fiscal years 1950-51 through 1953-54

Commodity and year	Total exports	Government financed exports					Percent of total exports
		MSA/FOA 1/	ACSP 2/	EIB 3/ USDA 4/	All programs		
	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars		Percent
All agricultural com- modities							
1950-51	3,411	966	175	14 3/ 47 4/	1,202		35
1951-52	4,053	694	68	89 3/ 2 4/	854		21
1952-53	2,819	412	58	62 3/	532		19
1953-54	2,936	473	24	113 3/ 67 4/	677		23
Bread grains 6/							
1950-51	761	245	86	--	330		43
1951-52	1,082	344	7	--	351		32
1952-53	686	123	7	--	130		19
1953-54	450	157	6	--	163		35
Coarse grains 7/							
1950-51	378	116	17	--	133		35
1951-52	340	73	18	--	91		27
1952-53	321	61	19	--	80		25
1953-54	237	21	7	--	28		12
Cotton and linters							
1950-51	941	411	33	12 3/	456		48
1951-52	1,204	180	7	89 3/	276		23
1952-53	576	192	4	52 3/	248		43
1953-54	680	189	2	113 3/	304		45
Tobacco							
1950-51	274	128	4	--	132		48
1951-52	327	56	--	--	56		17
1952-53	285	10	--	10 3/	20		7
1953-54	301	27	--	--	27		9
Fats and oils 8/							
1950-51	393	32	23	--	55		14
1951-52	389	23	2	--	25		6
1952-53	260	19	--	--	19		7
1953-54	411	37	--	--	37		9

1/ Paid shipments under regular and special programs administered by FOA and predecessor agencies (includes sales for foreign currencies through June 30, 1954 since currencies received were used for FOA programs). 2/ Shipments under the Army Civilian Supply Programs to Japan, the Ryukyus, Korea and Germany. 3/ Disbursements under Export-Import Bank loans. 4/ Donations of CCC commodities for foreign relief through private voluntary relief agencies under Section 416 of the Agricultural Act of 1949, as amended. 5/ Due to differences in methods of valuation, percentages do not apply to comparisons on a quantity basis. 6/ Wheat, flour and rye. 7/ Barley, corn, grain sorghums and oats. 8/ Animal and vegetable fats, oils, greases, oilseeds, all peanuts. Note: Data differ somewhat when computed on a crop year basis.

Government grants have been reduced since 1950-51 but loans for the purchase of farm products have increased and in 1953-54 the United States began to sell surplus farm products for foreign currencies. The latter type of government financing of exports will become increasingly important in 1955 under terms of the Agricultural Trade Development and Assistance Act of 1954 and the Mutual Security Act of 1954.

Government financed exports in 1953-54 accounted for about 45 percent of cotton exports, more than a third of bread grain exports, about an eighth of coarse grains and a tenth of tobacco and fat and oil exports. Comparable figures for earlier years are shown in table 7. Grants have provided the major part of government financing for grains although the India Grain Loan was an important type of financing in the 1951-52 marketing year. Export-Import Bank loans have provided a significant part of the financing for cotton exports in recent years. Export sales of farm products for foreign currencies in 1953-54 consisted primarily of bread grains, cotton, tobacco and fats and oils, while USDA donations consisted largely of dairy products and dried eggs.

LIVESTOCK AND MEAT

The January 1 inventory of meat animals on farms points to record slaughter and meat production in 1955. The number of meat animals at the beginning of this year as measured by the AMS index was up 2 percent from a year ago. The number of cattle and calves on farms was a record 95.4 million head, 0.6 million more than in January 1954. The number of hogs was up 13 percent from the previous January, reflecting chiefly the larger fall pig crop and later marketings of 1954 spring pigs. The number of sheep and lambs was down moderately from a year ago, with a 4 percent reduction in numbers on feed but only a slight change in stock.

No substantial change other than seasonal swings in prices or marketings of cattle and calves seems probable in 1955. Cow numbers on January 1 were up slightly from a year ago and will likely produce another large calf crop this year. Steer numbers were up and a larger part of these were in feedlots. Marketings of fed beef will be a little larger during the next several months than in the same months last year. Barring unusual developments which would cause producers to sell cattle off ranges and pastures more rapidly than expected, cattle marketings will not be greatly different in 1955 from last year.

An increase of around 10 percent in hog marketings is expected in 1955. With 14 percent more pigs under 6 months on farms this January 1, marketings will show the largest increase from 1954 in the first half of the year. In the last half, most of the hogs marketed will come from this spring's crop for which farmers plan to have 5 percent more sows farrow than last spring. Hog prices this spring are expected to increase seasonally, but remain considerably below a year earlier. During the heavy marketing season next fall, hog prices, while declining seasonally, may be closer to last fall's prices.

Sheep numbers have declined moderately during the past 3 years and on January 1 totaled 30.9 million head. The number of sheep and lambs on feed was 4 percent smaller than a year ago, indicating slightly smaller market supplies of fed lambs this winter.

DAIRY PRODUCTS

The number of cows on farms at the beginning of 1955 was slightly below that of a year earlier but the average milk output per cow during January was slightly above the January record set in 1954. Milk production probably will increase about as much as a year earlier in the next several months and for 1955 as a whole probably will not differ greatly from the 1954 level if pastures are average.

Consumption of fluid milk has begun to show a significant increase. Larger takings under the special school milk program have been mainly responsible, although slightly lower retail prices in some cities and some rise in consumer incomes also have contributed. With milk output a little lower, purchases of manufactured dairy products under the price-support program have dropped sharply from a year earlier. In recent weeks, purchases of butter and cheese have been no more than one-third and purchases of nonfat dry milk about half those of a year ago. Supplies of milk probably will continue to exceed demand at support levels during most of 1955, but purchases by the Commodity Credit Corporation are likely to be considerably less than in either of the past two years.

The lower retail prices in 1954 also were accompanied by increased takings by consumers of butter and cheese. Consumption of butter increased from 8.6 pounds in 1953 to 9.0 pounds per person in 1954. Consumption of margarine also increased, rising from 7.9 pounds in 1953 to 8.3 pounds in 1954, even though the price averaged a little higher in 1954. Consumption of dry whole milk, condensed and evaporated milk and ice cream showed a slight drop. Use of fluid milk per person in 1955 probably will increase slightly but consumption of other items probably will be close to 1954 levels.

Prices received by farmers for manufacturing milk and butterfat are likely to be about the same in 1955 as in the April-December period of 1954. The support prices announced in January are the same for the 1955-56 marketing year as for the marketing year now coming to a close, and a moderate surplus probably will keep prices at support levels much of the time. However, a greater proportion of milk may be used in fluid milk outlets, so that the average price received by farmers for all milk will be slightly above the levels of April-December 1954.

POULTRY AND EGGS

Egg prices began a sharp rise shortly after mid-January, and on February 16 mixed colors Extras in Chicago were 10 cents higher and mid-Western and nearby eggs in New York were 12 to 13 cents higher than a month earlier.

Leading grades of large eggs in principal West Coast markets on February 11 were up 5 to 6 cents per dozen above January 18. Frozen mixed whole egg was quoted at 31 1/2 cents per pound, 5 cents above mid-January.

In mid-January the U. S. average price received by farmers was 32.2 cents per dozen, compared with 46.3 cents the preceding January. In 1954, farmers' egg prices held about steady for a month after mid-January. Prices then declined sharply in late February and continued low. With the rise in early February this year egg prices again reached the levels of early 1954.

If egg prices hold through March at the improved level of early February, they may then continue at that level through the spring. After early March, egg production is not likely to be significantly larger than last year, while the consuming population will be about 1 1/2 percent larger. Also, the likelihood of a reduced early hatch will probably stimulate the increased storage of shell eggs.

The egg prices rise in late January and early February occurred despite seasonal increases in production. Part of the strength in prices has been attributed to severe weather over most of the country in early February and to activity in the egg futures market in Chicago, where contracts for the September delivery of eggs went above 40 cents per dozen in mid-February. Last year the corresponding contract was traded at 46-47 cents in February, 40-42 cents in May, and closed at 29.45 cents in September 1954. Buyers of the September 1955 contract expect that the number of chickens raised this spring will be reduced enough to result in a sharply lower egg output this fall than last. Farmers' February 1 intentions were to raise 18 percent fewer chickens than last year for laying flock replacement. If egg prices through mid-May hold at the level of early February, these intended reductions may not fully materialize. However, even if the total hatch is larger than indicated by the intentions, the early hatch will not be as large as in 1954, and laying pullets on farms October 1 will not be up to the 1954 level.

Broiler prices since the beginning of 1955 have been about 16 percent above the average of the last 4 months of 1954. Prices received by farmers averaged 24.3 cents per pound (live) in mid-January. Current prices have stimulated interest in expanding output, and settings of eggs in incubators in broiler areas have been higher than a year earlier during each week since January 22.

In January, farmers reported intentions to grow 11 percent fewer small-breed turkeys than in 1954, and the same number of heavy-breed turkeys. If these intentions are carried through, the number of turkeys produced this year would be 4 percent below last year's record but the decline in terms of weight would be smaller. More heavybreed turkeys than last year are available for breeding, and there is concern that farmers' intentions to raise heavy turkeys may be exceeded.

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OILSEEDS, FATS AND OILS

Soybean prices have been relatively stable this crop year at a level well above support but less than a year earlier. Exports of beans continue to run ahead of a year ago--totaling about 33 million bushels in the period October 1954 through January 1955. This is about 6 million more than in the comparable period a year earlier. Present indications are that exports this crop year probably will exceed 50 million bushels compared with 40 million the year before. Crushings of soybeans have been no larger than usual, despite the record large crop. A larger than usual quantity of beans probably will be available for disposition later in the crop year and may tend to have a dampening effect on prices.

Flaxseed output in 1954 was much larger than needed for estimated domestic use, but exports are substantial, so that the July 1 carryover is likely to be less than a year earlier. Prices have been around support levels. Through mid-January, 7 million bushels, 17 percent of the present crop, had been placed under support programs and a half-million bushels were resealed. Producers could take advantage of the program until January 31. CCC took over 16 percent of the 1952 crop, 46 percent of the 1953 crop and probably will acquire a large part of the quantity under price support.

Prices of most fats and oils in February showed relatively little change from the preceding month. Compared with a year earlier, present prices are lower for butter, lard, linseed and coconut oils. Tallow and grease and cottonseed oil prices are up, while the price of soybean oil has remained about the same. Prices for tung oil have increased in recent months, reflecting the sharp drop in domestic output of tung nuts caused by freezing weather and a tightening in world supplies available for export. Prices are about the same as a year ago.

During calendar year 1954, the CCC disposed of over 875 million pounds of crude and refined cottonseed oil for export and domestic use, including some quantities for the school lunch program. Sales in the first six weeks of 1955 totaled about 90 million pounds of cottonseed oil. As of February 11, CCC's holdings of crude and refined cottonseed oil were about 250 million pounds of which about 30 million pounds had been tentatively committed for sale.

CORN AND OTHER FEED

Feed prices were generally stable during January and early February, with prices of most feeds a little lower than a year earlier. The mid-January average price received by farmers for corn was \$1.40 per bushel, about the same as a year earlier, and substantially below the 1954 support level. Prices of the other feed grains have advanced seasonally since last summer and fall. The price of oats has averaged slightly above the National average support price in the past 3 months. In January the price of sorghum grains was 2 cents per hundredweight below the support level and barley 6 cents per bushel below.

Through January 15 record quantities of these three grains--oats, barley and sorghum grains--had been placed under loan and purchase agreement, which has been an important price-strengthening factor. The 79 million bushels of corn placed under price support through mid-January was much less than in the same period of the past 2 years, reflecting the smaller 1954 crop and the fact that many producers are ineligible for loans.

January 1 stocks of feed grains in all positions were 12 percent larger than a year earlier and the largest on record, both in total and per animal unit. Utilization of feed grains during the remainder of the 1954-55 season is expected to be somewhat heavier than in that period of 1953-54. However, the carryover into 1955-56 is expected to be at least as large as the record carryover of nearly 32 million tons into 1954-55.

On January 31 the Secretary of Agriculture announced corn acreage allotments for the 1955 crop in the commercial area, totaling about 49.8 million acres--about 5 million acres below the 1954 plantings in the area. The area qualifying as commercial in 1955 is smaller than in 1954 and the 1955 allotment is about 8 percent larger than the allotments for the comparable area in 1954. Farmers are required to plant within their acreage allotment to be eligible for price support. The total corn acreage in 1954 was practically the same as in 1953 as a result of overplanting of acreage allotments in the commercial area and increased acreage in the South.

WHEAT

Cash wheat prices at Minneapolis, Kansas City and Portland are at the highest levels of the season to date, and prices in other markets are near the highs reached in late December. The price of No. 2 Hard Winter at Kansas City is above the low point in June by 41 cents and that of No. 2 Soft Red Winter at St. Louis by 43 cents. The average price received by farmers in mid-January was \$2.14, 2 cents above a month earlier, and the third highest mid-January average since 1919. Winter wheat prospects after a period of deterioration in the Great Plains area, have improved recently as a result of February rain and snow.

Compared with the effective loan levels (announced loan less 1 cent for storage), the February 18 price of No. 2 Hard Winter Wheat, ordinary protein, at Kansas City, at \$2.43 per bushel, was 9 cents lower; the price of No. 2 Soft Red Winter at St. Louis, at \$2.32, was 20 cents lower; but the price of No. 1 Dark Northern Spring, ordinary protein, at Minneapolis, at \$2.57 was 1 cent above the effective loan level; and the price of No. 2 Hard Amber Durum Wheat is \$1.32 above the effective loan.

Stocks of wheat in all positions on January 1, 1955 totaled 1,460 million bushels. On January 1, CCC owned 749 million bushels. Two million bushels of 1952-crop wheat, nearly 18 million of 1953-crop wheat and 369 million bushels

(381 million less redemptions of 12 million) of 1954-crop wheat were reported under loan as of January 15. On this basis, without considering the additional wheat placed under support between January 15 and the deadline of January 31, the quantity owned by CCC and under support would total 1,137 million bushels. This would provide only 323 million bushels of free wheat for use in the January-June period. This quantity appears to be insufficient to take care of domestic disappearance, pipeline working stocks of old grain before the new crop comes to market in large volume, and any exports out of non-CCC stocks. Wheat can, of course, move out from under price support whenever farmers find the market price attractive enough to do so. The quantity used domestically alone in the January-June period in 1953 and 1954 totaled 385 and 325 million, respectively. Limited commercial supplies were further reduced by the continued movement of wheat under support from January 15 to January 31 when the program terminated. The movement under loan after mid-January probably was not as large as the 78 million bushels placed under the programs during January 15-31 in 1954. On the other hand, some 1955 new crop wheat will become available in late May and June.

Supplies of wheat for the 1954-55 marketing year were estimated at 1,877 million bushels, consisting of a July 1 carryover of 902 million, a crop of 970 million and an allowance for imports of 5 million. With domestic disappearance still estimated at 660 million and exports at 250 million, the carryover on July 1, 1955 is expected to total about 965 million bushels. This increase of about 65 million bushels in the carryover, would be much less than those of the preceding 2 years, reflecting reduction in acreage due to acreage allotment and marketing quota programs.

Exports during July-December in 1954 totaled about 121 million bushels, compared with 109 million for the same 6 months a year earlier. Exports in the January-June period are expected to be above a year earlier and, for the July-June marketing year, are likely to total around 250 million bushels compared with 217 million a year earlier.

RICE

The 1954 rice crop totaled around 59 million hundredweight, 12 percent above a year earlier. The carryover into the 1954-55 marketing year was also record large. But exports, a major outlet for U. S. rice, thus far this season, are much less than those of a year earlier. As a result, grower prices in January were down about 18 percent from a year earlier and well below supports. Some 19 million hundredweight of rice had been placed under loan through mid-January and additional quantities were put under loan before the termination of the program on January 31, 1955. With reduced prices and total supplies about 17 percent above "normal", growers approved marketing quotas for the 1955 rice crop. The national acreage allotment for 1955 has been proclaimed at 1,859,099 acres, 24.7 percent less than the acreage in 1954 and 11 percent less than the 1950-54 average.

RYE

Supplies of rye for the 1954-55 marketing year total 42.7 million bushels, consisting of a carryover July 1, 1954 of 14.9 million, a crop of 23.7 million, and an allowance for imports of 4.1 million bushels, of which 3.4 million were imported in July-December. Disappearance of rye for the marketing year is estimated at 25.0 million bushels compared with 23.0 million a year earlier, with some increase in feed and seed use expected. Exports may total about 3 million bushels, with half that quantity already exported. On this basis, the carryover next July 1 would be about 15 million bushels or about the same as a year earlier. The acreage seeded to rye last fall was 25.6 percent over the previous year. With the condition of the crop on December 1 reported at 85 percent of normal, compared with 78 percent a year earlier, a larger rye crop is indicated for 1955 than the 24-million-bushel crop of 1954. Prices received by growers in mid-January averaged \$1.18 per bushel, compared with \$1.14 a month earlier and \$1.17 a year earlier.

FRUIT

Prices for Florida oranges at shipping points and processing plants during January held fairly steady at levels slightly under those of a year earlier. But prices for California oranges on the principal auctions increased considerably from the low point in late December, and at the end of January they averaged moderately above a year previously. In early February, prices for both Florida and California oranges declined and are below levels of a year earlier. As marketing in Florida shifts in March from mid-season oranges to Valencias, of which prospective production is smaller than a year ago, prices for the latter can be expected to average somewhat above those for the early and midseason oranges.

With remaining supplies of Florida grapefruit about one-tenth smaller than a year ago, prices at shipping points declined less in January and early February than a year previously. In early February, they average a little above this time in 1954.

Movement of Florida oranges to processors since January 1 has been about as large as a year earlier, but that of grapefruit has been much smaller. Output of frozen orange concentrate by February 5 was about 19.8 million gallons, 18 percent smaller than in the same part of the 1953-54 season when production was much heavier in November and December. However, output of canned orange juice (13.2 million cases) was 7 percent larger. Production of other canned citrus juices is running considerably smaller so far this season than last.

Cold-storage stocks of Washington apples are smaller this year than last and during January and early February, shipping point prices tended to increase. But in the Appalachian area where stocks are much larger this year, prices declined. Auction prices for pears continue above a year earlier. On February 1, 1955, total cold storage holdings of apples, as reported by the U. S. Department of Agriculture, were about 26 percent larger than on that date in 1954. Stocks of pears were 2 percent larger.

The 1955 winter crop of strawberries in Florida, which now is being harvested, was estimated to be 36 percent larger than the 1954 crop but 25 percent less than average on the basis of February 1 conditions. The freezes of February 12 and 13 caused substantial loss of bloom in the Plant City area. As usual most of the commercial crop for fresh use and for processing will be harvested from the spring acreage, which this year is expected to be nearly as large as in 1954. On February 1, 1955, cold-storage stocks of frozen strawberries were about 11 percent smaller than a year earlier.

COMMERCIAL VEGETABLES

For Fresh Market

Indications in mid-February still pointed to smaller supplies of vegetables for fresh market sale this winter than last. With adverse weather in growing areas during December and again in January, indicated production as of February 1 totaled 7 percent smaller than in the winter of 1954. On February 12 and 13 freezing weather caused some damage to tender vegetables in all sections of Florida and injury in south Texas ranging from slight damage, for the hardy vegetables, to complete losses for some tender crops. Preliminary reports indicate a moderate immediate decline in output and production of spring crops in Florida and Texas probably will be curtailed and the harvest delayed. Stocks of cabbage and onions on January 1, 1955 were much smaller than a year earlier, though above average. Prices received by growers for winter-harvested fresh vegetables probably will average at least equal to those of a year earlier.

Acreage indications are available for 7 spring-harvested fresh vegetables. Reports of growers' intentions as of February 1 point to a much larger acreage for harvest this spring than last for both broccoli and shallots, and a moderate expansion for asparagus. Moderately smaller acreages are indicated for cabbage, cauliflower, onions and watermelons. Production of early spring

broccoli has been forecast at 5 percent larger this year than last, with the probable increase in acreage harvested more than offsetting the effects of the expected smaller yields. For cauliflower, the early spring output has been indicated to be 6 percent smaller than a year earlier, with reductions in prospect both in acreage and yield.

The acreage and marketing guides announced by the Department of Agriculture on January 31 call for a slightly smaller acreage of summer and fall vegetables to be harvested for fresh market sale this year than in 1954. For summer melons the Department recommended a 12 percent reduction from last year in the acreage to be harvested in 1955. Yields equal to the average of recent years on the suggested acreages would result in a tonnage of fresh vegetables 2 percent smaller next summer and 4 percent smaller next fall than a year earlier. The volume of summer melons would be down 4 percent.

For Processing

Prices of commercially processed vegetables are expected to average at least equal to those of a year earlier until the new packs start moving to market in heavy volume after mid-1955. Supplies of canned and frozen vegetables available during the remainder of the current marketing year are smaller than in the same months of 1953-54, and consumer demand is expected to be about equal.

The acreage and marketing guides issued by the Department late last month call for a slightly smaller total acreage to be planted to 9 important processing vegetables this year than last. Reductions from 1954 were recommended for the acreage planted to the processing crops of lima beans, snap beans, cabbage for sauerkraut, and sweet corn; and increases for green peas, spinach and tomatoes. For beets and cucumbers for pickling the guides suggest plantings about as large as in 1954. With a yield per acre equal to the average of recent years, production of processing vegetables on the recommended acreage would be 2 percent larger than last year.

POTATOES AND SWEETPOTATOES

Although supplies of potatoes in the winter of 1955 are somewhat smaller than the large volume of a year earlier, they are sufficient to maintain civilian consumption at the rate of early 1954. Prices for 1954 late-crop potatoes at principal shipping points during January and early February were fairly steady at a level much higher than the low prices of a year earlier. For the winter-harvested potatoes at Florida shipping points, prices at the beginning of 1955 were much lower than at the same time last year because of the heavier volume available for marketing. But the price gap narrowed during January and by early February f.o.b. prices were about on a par with those of a year earlier. Prospects for the next few months are that potato prices will

continue much above those in the same period of 1954, especially since frost damage in Florida during February probably retarded by about 10 days the growth of the potato crop in the Hastings area -- where most of the crop is harvested in early spring. From late spring to early summer, prices will be largely determined by the size of the crops harvested in that period, and the seasonal pattern of marketings.

Sweetpotato prices during the remainder of the 1954-55 marketing season are expected to average much higher than a year earlier. Prices at shipping points in southwestern Louisiana in early January were not only noticeably above those at the same time in 1954, but strengthened during the month. In January 1954 shipping point prices trended downward.

The Department's acreage and marketing guides which were recently announced suggest both a 5 percent smaller acreage be planted to potatoes in the late States this year than in 1954, and a planted acreage of sweetpotatoes equal to 1954. Average yields on the recommended acreages would result in a 1955 crop of late potatoes 5 percent smaller than that of a year earlier, and a sweetpotato crop 9 percent larger.

COTTON

Cotton prices have moved in a rather narrow range so far this season. Since August 1954, the average 14 spot market price for Middling 15/16 inch cotton has fluctuated between a high of 34.90 cents per pound (reached on September 24, 1954) and a low of 33.52 (established November 22, 1954). The January average 10 spot market price for Middling 15/16 inch cotton of 34.19 cents compares with 34.09 a month earlier and 33.21 a year earlier. This average during the 1953-54 season fluctuated within a range of 2.20 cents per pound. The average price received by farmers for upland cotton during the first 6 months of the 1954-55 marketing year has varied between a mid-October high of 34.67 cents per pound and a mid-January low of 32.51 cents. This is the narrowest range for these months since the 1948-49 season.

On February 4, stocks of cotton held by the Commodity Credit Corporation including that owned and pledged as collateral against outstanding loans amounted to about 8,696 thousand bales. This compares with 8,716 thousand a week earlier and marks the first decline in stocks held by CCC since August 1, 1954. Further reduction in CCC stocks will be necessary in order to provide adequate working stocks in commercial channels at the end of the season.

The rate of domestic mill consumption of cotton averaged 32.1 thousand bales per day in December 1954, compared with 32.2 thousand a year earlier. The decline from the November 1954 daily rate of 36.1 thousand bales is somewhat greater than usual. In January the rate increased the usual seasonal amount to 35.6 thousand bales. This was 5 percent higher than the January 1954 rate.

Exports of cotton from August 1 through December 1954 were 1,626 thousand running bales, 397 thousand more than in the same period a year ago. If exports for the remainder of the current marketing year follow the average seasonal pattern of 1946-53, the rate of exports will be higher during the December-March period than during the other parts of the year.

WOOL

Wool production in the United States in 1955 is not likely to be much different from 1954. With about the same number of stock sheep on farms and ranches at the beginning of the year, shorn wool production is likely to be about the same as or even a little larger than in 1954 if the trend toward a heavier fleece weight continues. Sheep and lamb slaughter is expected to be down this year and if the average weight of wool per pelt is about the same as last year, pulled wool production would be a little lower.

Domestic mills used considerably less of both apparel and carpet wool in 1954 than the year before. The average weekly rate of apparel wool consumption was 24 percent lower than that of 1953, the lowest since 1938 and below the average for 1935-39. The lower consumption last year reflected in part a reduction of inventories of wool products in manufacturing and distribution channels early in the year. The average weekly rate of carpet wool consumption was down 14 percent from 1953.

Trade reports suggest that inventories of wool manufactures in manufacturing and distribution channels are about normal relative to sales and that unfilled orders for fabric are substantially larger than a year ago. Economic activity and consumer purchasing power are continuing at high levels, and some improvement in apparel wool consumption this year relative to last appears likely.

The average support level for domestic shorn wool for the marketing year beginning April 1 will be 62 cents per pound, grease basis, 8.8 cents or 16.5 percent higher than that for the current season. Payments to individual producers will be based on the percentage required to bring the average return per pound (market price plus payment) up to the average support level. Market prices probably will average nearly the same as for the 1954 season but somewhat below the announced support level. In this case, price support payments will be made to producers after the end of the 1955 season.

Pulled wool will be supported through payments on marketings for slaughter of lambs and yearlings with full wool pelts. Payment will be based on the average weight of wool per hundred pounds of live animal (5 pounds) and 80 percent of the difference between the national average price received by growers for shorn wool and the 1955 incentive price of 62 cents per pound for shorn wool. In short, the payment per hundred pounds of live animal will be equal to 4 times the average payment per pound of shorn wool.

With the world supply slightly larger this season and demand easier, prices of wool have been below a year earlier since the opening of the current British Dominion selling season about September 1. Prices at the Dominion auctions declined gradually from the time the auctions began until shortly after the holidays. Although they advanced a little recently, prices of fine wools early in February were between 10 and 15 percent below a year earlier.

The rate of world consumption during each of the first three quarters of 1954 is estimated to have been below a year earlier. The average rate for the 9 months was 11 percent below that of the like 1953 period.

TOBACCO

Marketings of the 1954 Burley crop were about completed by mid-February. Sales indicate the crop to have been a record. The 1954-55 total supply is now estimated at about 1,870 million pounds based on market sales--8 percent above 1953-54 and larger than any previous year. The 1954 season average prices for Burley at about 49.6 cents per pound was 5 percent lower than for 1953. About one-third of the 1954 crop was placed under Government loan--more than in any previous year. The 1955 acreage allotments for most Burley farms were reduced 10 percent, but special provisions applying to small allotments and reserves for adjustments will hold the overall reduction to about 7 percent.

The 1954 season average price of the entire flue-cured crop was 52.7 cents, nearly the same as the 1953 season. Increases in the Old and Middle Belts, where quality was much better than a year ago, about offset the declines in the price averages of the other belts.

In the last half of 1954, cigarette output--major outlet for Burley, flue-cured, and Maryland tobacco--was about 4 percent below the same period of a year earlier. Private estimates indicate that king size and filter tip cigarettes combined accounted for nearly two-fifths of total consumption in 1954 compared with about one-fifth 2 years earlier. Further gains in these categories are likely during 1955.

Marketings of the Kentucky-Tennessee dark air-cured and the Virginia fire-cured crops were completed in late January and February. The Kentucky-Tennessee dark air-cured tobacco averaged about 34.4 cents per pound--about 9 percent more than a year earlier, when poor quality sharply reduced the price average. The 1954 Virginia fire-cured crop brought 34.5 cents per pound--about 1 cent lower than the 1953 crop. The Kentucky-Tennessee fire-cured types 22 and 23 through mid-February averaged 40.4 and 32.2 cents, respectively,--both well above the comparable averages for a year earlier when quality was poor.

Marketings of Wisconsin binder tobacco types began in January. For the season's sales through early February, prices of Northern Wisconsin type 55 averaged about the same as in the comparable period of last season but prices of Southern Wisconsin type 54 averaged moderately lower.

Exports of unmanufactured tobacco during the second half of 1954 were 2 percent below the same period of 1953. Shipments to the United Kingdom were a fifth larger than a year earlier but the quantity going to Germany, the second ranking outlet was substantially lower. More went to the Netherlands, and Australia, usually the third and fourth ranking destinations.

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